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STARK STATEMENT ON BUDGET RECONCILIATION

WASHINGTON – U.S. Representative Pete Stark (D-CA, 13th) released the following statement today in reference to the cuts being discussed during the Ways and Means Committee budget reconciliation markup:

"The line has never been more clear between those who want to help people in need and those who want to protect HMOs.

"We can easily cut $24 billion in unnecessary overpayments to HMOs and protect programs that help those in poverty. We can do it with no pain to the American people and still reduce the deficit. We can join the Senate's Finance Committee in stating clearly that it is better to take away overpayments from corporations before taking away needed services from the poorest among us. We could do all of this, but the Republicans won't allow it.

"Unlike many issues that come before Congress, this one is simple. Every family in America that sits down to tally their household budget understands that if you have to cut expenses, you start by cutting out the extraneous expenses. You do not come to the table and announce that because some savings are needed, the family will stop paying for food.

"These cuts are reckless, harmful and, worst of all, wholly unnecessary. Any vote for this package of cuts is a vote to protect special interests and a vote against the neediest Americans in order to accommodate tax breaks for the wealthy."

Rep. Stark offered two amendments today during the Ways and Means Committee markup, one to protect low-income families and American jobs, and another to increase physician payments for 2006. Summaries of those amendments follow:

STARK-EMANUEL AMENDMENT TO PROTECT LOW-INCOME FAMILIES AND AMERICAN JOBS

Rationale: To protect low-income families and American jobs from the cuts and policies contained in the Substitute, this amendment would strike its text and replace it with savings drawn from reducing overpayments to HMOs and other private plans that offer benefits in place of traditional Medicare. These provisions would save approximately $24 billion over five years.

Under current law (excluding the slush fund, which doesn't start until 2007), private plans are paid on average more than 115 percent of the cost of traditional Medicare. This amendment uses four provisions to assure that private plan payments reflect Medicare's spending in the area. While plans would no longer be overpaid, neither would they be paid less than fee-for-service. MedPAC recommended these policies in June 2005, and two of the provisions were reported out by the Senate Finance Committee yesterday. Note that the provisions would also improve solvency of the Trust Fund and decrease Part B spending and premiums.

Savings beyond the level in the Substitute would be used to increase funding for child care, which would enable more women to transition from welfare to work with adequate support for safe child care, and reduce the deficit.

Summary:

- Strikes the Substitute

- Replaces with provisions that:

1) Repeal the regional PPO slush fund that starts in 2007;

2) Codify the Administration's proposal to retain savings from paying plans based on the relative health of their enrollees;

3) Reduce benchmarks to fee-for-service rates; and

4) Eliminate the medical education payment given to plans

- Savings beyond those contained in the Chairman's Substitute are used to increase funding for child care for low-income working families.

STARK-CARDIN AMENDMENT TO INCREASE PHYSICIAN PAYMENTS FOR 2006
AND PROTECT BENEFICIARY PREMIUMS

Rationale: Under current law, Medicare fees for physicians will drop by approximately 5 percent each year between 2006 and 2012. These cuts are largely a result of flaws in the sustainable growth rate (SGR) update mechanism, but were also exacerbated by the Medicare Modernization Act of 2003 (MMA). The MMA directed 1.5 percent increases in 2004 and 2005, overriding negative updates in those years and triggering deeper cuts over a longer period of time than would have been the case without the MMA's intervention.

Simply repealing the SGR is neither affordable nor good policy, as CBO and the CMS Actuaries estimate that doing so could cost approximately $155-184 billion over 10 years. However, interim steps should be taken to prevent cuts and buy time to create a new system that effectively monitors and controls spending, while preserving the broad access that is currently Medicare's hallmark. Thus, the amendment offers a one percent increase in 2006 and pays for it with two provisions that reduce payments to Medicare Advantage plans, as reported out of the Senate Finance Committee yesterday,

In addition, because increased physician spending also increases Part B premiums, the amendment would prevent additional premium increases that would otherwise result from increasing physician fees. This is paid for by repealing payments made to Medicare Advantage plans under the guise of medical education (even though the dollars do not support teaching activities). Note that the premium increase for 2005 was a record-high dollar amount, largely due to the MMA's SGR override and higher payments to private plans. Premiums announced for 2006 are also quite high, and will be coupled with new premiums for the new drug program.

Finally, the amendment would repeal the MMA's so-called 45 percent trigger, which undermines Medicare's entitlement by forcing cuts when general revenue support is projected to reach certain levels. Under current law, it's possible that this could result in Medicare cuts as early as 2008.

Summary:

- Adds a one percent increase in the physician payment level for 2006, paid for by eliminating the PPO "stabilization" fund and codifying the Administration's policy to ensure savings from paying plans based on enrollee health status ("risk adjustment"). These policies were all included in the package reported out by Republicans on the Finance Committee yesterday.

- Adds legislative language to prevent beneficiary premiums from increase that would otherwise result from raising doctor's fees.

- Premium protection is funded by repealing Medicare Advantage payments for Indirect Medical Education.

- Repeals 45 % trigger.